

CREDIT UNION DIVISION

DIVISION PERSONNEL (As of December 31, 2007)

HEADQUARTERS-NASHVILLE

Trevor Williams, Assistant Commissioner
Vickie Young, Safety and Soundness Manager
Alica Owen, Financial Analyst
Kayce Cawthon Stoker, Executive Administrative Assistant

EXAMINATION PERSONNEL

WEST TENNESSEE DISTRICT

Randall Means, CSCUES, V, Supervisor
Dana Owen, CFE, CEIC, ACISE, IV
Rosalyn Miller, II

MIDDLE TENNESSEE DISTRICT

Steve Eddings, CFE, CSCUE, CEIC, V, Supervisor
Tom Harper, CSCUE, IV
Pat Murphy, CFE, CSCUE, IV

EAST TENNESSEE DISTRICT

Ron Shires, CSCUES, V, Supervisor
William Cave, CEIC, CSCUE, IV
Lance Hogelin, CFE, CSCUE, IV
Shane Hardin, CFE, CSCUE, IV
Dwight Ward, IV

The Credit Union Division is responsible for the supervision and examination of 115 natural person state-chartered credit unions as well as one corporate credit union – Volunteer Corporate. Examiners perform safety and soundness examinations in each of these credit unions to determine compliance with governing laws and regulations, as well as evaluating assets, liabilities, and income and expenses of a credit union in order to assess its solvency. Examiners also perform investigations into consumer complaints filed with the Department's Consumer Resources Division.

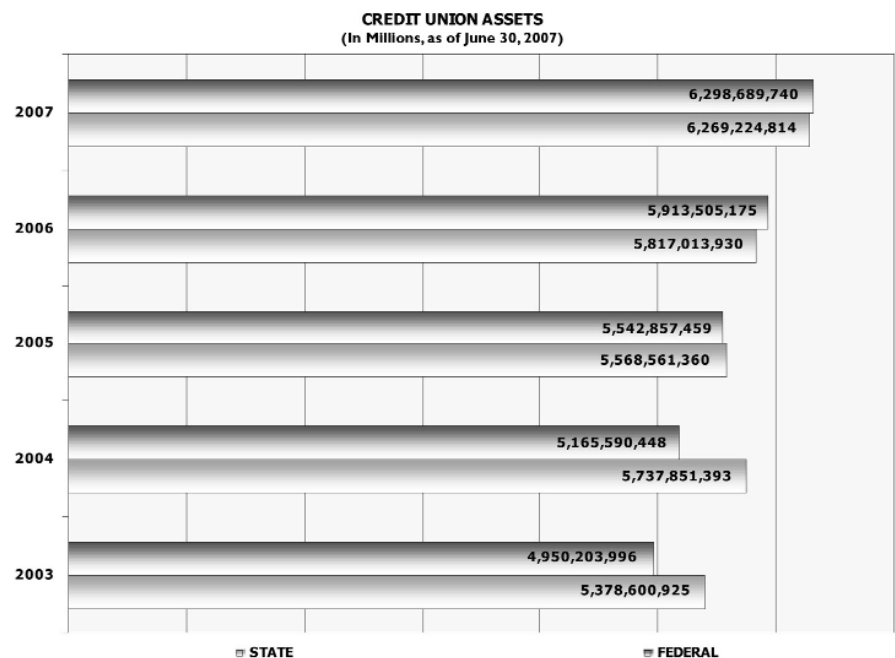
The Tennessee credit union industry remains strong. Natural person credit unions have assets of approximately \$6.2 billion – a growth of 8.5% over the past 12 months. With net worth totaling 13.27% of assets, capitalization remains excellent. Delinquency and charge-offs remain manageable; the return on assets was 1.03%.

Tennessee's state-chartered credit unions vary greatly in size of assets, fields of membership, and services offered to their members. From the smallest credit union, located in Memphis, having assets of \$52,000, to the largest, located in Kingsport, with assets of \$1.8 billion, this cross-section ensures that citizens continue to receive valuable service from member-owned cooperatives.

Volunteer Corporate Credit Union, at \$1.2 billion in assets, continues to meet the financial services needs of Tennessee's natural person credit unions, which carry either a State or Federal charter. Primary offerings include traditional correspondent services such as investments, item processing, security safekeeping, consulting services and web design.

At the conclusion of each examination, a voluntary survey is conducted to measure the overall efficiency and effectiveness of the examination and to determine the adequacy of our communication skills. To ensure the confidentiality and integrity of this process, a third party handles data accumulation and summary reports.

The Credit Union Division remains accredited by the National Association of State Credit Union Supervisors (NASCUS) and was re-certified during 2005. The next reaccreditation is in 2010. Additionally, eligible credit union examiners and supervisors have met the comprehensive criteria for NASCUS examination certifications. The Certification Program provides recognition to superior state credit union examiners and encourages continued professional development through the certification's required continuing education hours.



CREDIT UNION DIVISION

CORPORATE REORGANIZATIONS

July 01, 2006 - June 30, 2007

MERGERS

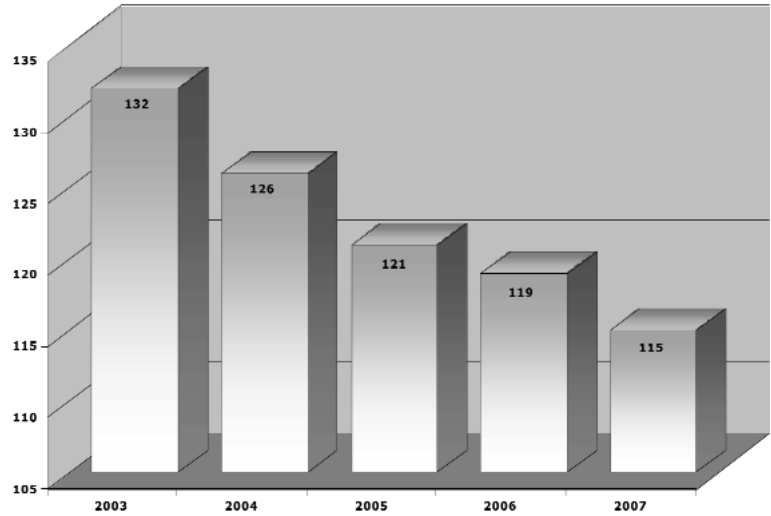
- 12/21/2006 Brock Employees Credit Union, Chattanooga, Tennessee, merged into Tennessee Valley Federal Credit Union, Chattanooga, Tennessee
- 01/12/2007 Bethlehem Community Development Credit Union, Chattanooga, Tennessee, merged into Church Koinonia Federal Credit Union, Chattanooga, Tennessee
- 04/20/2007 Top-O-Ring Employees Credit Union, Lebanon, Tennessee, merged into Old Hickory Credit Union, Old Hickory, Tennessee
- 06/22/2007 Ferry-Morse-Fulton Credit Union, Fulton, Kentucky, merged into Peoples Choice Credit Union, Union City, Tennessee

NAME CHANGES

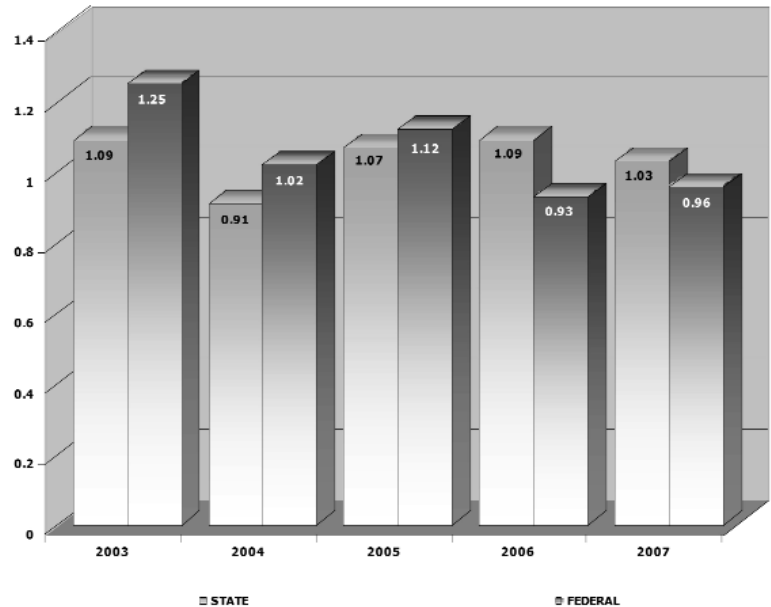
- 02/02/2007 Memphis Publishing Company Employees' Credit Union's name was changed to Agility Financial Credit Union.

FIELD OF MEMBERSHIP EXPANSIONS

- 1/4/07 Department of Human Services, Nashville, Tennessee, added Tennessee State Employees' Association, Nashville, Tennessee
- 6/26/07 Peoples Choice, Union City, Tennessee, added employees of Union City, Tennessee

NUMBER OF STATE-CHARTERED CREDIT UNIONS IN TENNESSEE
(As of June 30, 2007)

RETURN ON ASSETS



TENNESSEE STATE-CHARTERED CREDIT UNIONS

CONSOLIDATED INCOME SHEET

	June 2007	June 2006	%Change
INCOME AND EXPENSE			
Interest Income			
Interest on Loans	141,343,037	123,842,604	-12.38%
Less Interest Ref	(14,183)	(4,318)	-69.56%
Income from Investments	42,015,572	33,139,083	-21.13%
Income from Trading	809,607	0	N/A
Total Interest Income	\$184,154,033	\$156,977,369	-14.76%
Interest Expense			
Dividends	33,966,074	23,624,749	-30.45%
Interest on Deposits	41,775,186	30,461,537	-27.08%
Interest on Borrowed Money	3,412,788	4,187,273	22.69%
Total Interest Expense	\$79,154,048	\$58,273,559	-26.38%
Provision for Loan and Lease Losses (PLLL)	9,647,902	7,977,277	-17.32%
Net Interest Income after PLLL	\$95,352,083	\$90,726,533	-4.85%
Non-Interest Income			
Fee Income	32,262,964	29,125,668	-9.72%
Other Operating Income	9,930,867	8,395,367	-15.46%
Gain(Loss) on Investments	142,748	-10,358	-107.26%
Gain(Loss) on Disposition of Assets	-119,023	7,172	-106.03%
Other Non-Operating Income/Expense	256,893	125,199	-51.26%
Total Non-Interest Income	\$42,474,449	\$37,643,048	-11.37%
Non-Interest Expense			
Employee Compensation and Benefits	55,973,929	50,822,263	-9.20%
Travel/Conference Expense	1,558,553	1,330,877	-14.61%
Office Occupancy	7,917,854	7,509,086	-5.16%
Office Operation Expense	19,539,544	19,114,535	-2.18%
Education and Promotion	3,996,794	3,632,085	-9.13%
Loan Servicing Expense	3,956,459	3,592,876	-9.19%
Professional/Outside Service	8,897,114	7,296,207	-17.99%
Member Insurance	776,566	830,854	6.99%
Operating Fees	967,717	938,273	-3.04%
Miscellaneous Operating Expense	2,468,812	2,002,253	-18.90%
Total Non-Interest Expense	\$106,053,342	\$97,069,309	-8.47%
Net Income	\$31,773,190	\$31,300,272	-1.49%
Reserve Transfers			
Transfer to Regular Reserve	\$5,898,397	\$5,587,024	-5.28%

TENNESSEE STATE-CHARTERED CREDIT UNIONS

CONSOLIDATED BALANCE SHEET

	June 2007	June 2006	% Change
ASSETS			
CASH:			
Cash on Hand	65,644,175	61,694,930	6.02%
Cash on Deposit	448,985,665	350,331,526	28.16%
Cash Equivalents	66,669,497	85,204,703	-27.80%
Total Cash	\$581,299,337	\$497,231,159	14.46%
INVESTMENTS:			
Trading Securities	0	0	0
Available for Sale Securities	493,935,356	496,517,369	-0.52%
Held-to-Maturity Securities	298,125,877	346,092,368	-16.09%
Deposits in Commercial Banks, S & Ls, Savings Banks	202,596,236	260,281,781	-28.47%
Loans to, Deposits in, & Investments in Natural Person CUs	13,094,804	11,783,974	10.01%
Total MCSD and PIC in Corporate	28,285,075	25,277,108	10.63%
All Other Investments in Corporate Credit Unions	333,933,131	148,777,995	55.45%
All Other Investments	20,945,190	24,829,502	-18.55%
Total Investments	\$1,390,915,669	\$1,313,560,097	5.56%
LOANS HELD FOR SALE	\$93,575	\$0	100.00%
Loans and Leases:			
Unsecured Credit Card Loans	117,685,945	128,109,061	-8.86%
All Other Unsecured loans	274,774,103	251,769,955	8.37%
New Auto Loans	664,435,986	647,373,684	2.57%
Used Auto Loans	951,347,347	884,565,943	7.02%
First Mortgage Real Estate Loans	1,469,788,797	1,350,402,166	8.12%
Other Real Estate Loans	376,754,217	352,119,480	6.54%
Leases Receivable	2,127,104	2,810,732	-32.14%
Other Member Loans	203,491,294	178,673,598	12.20%
Total Loans	\$4,060,404,793	\$3,795,824,619	6.52%
ALLOWANCE FOR LOAN & LEASE LOSSES	(31,693,593)	(28,300,991)	10.70%

TENNESSEE STATE-CHARTERED CREDIT UNIONS

CONSOLIDATED BALANCE SHEET

	June 2007	June 2006	% Change
Foreclosed and Repossessed Assets	3,368,948	2,054,465	39.02%
Land and Building (Net of Depreciation)	120,340,968	110,657,993	8.05%
Other Fixed Assets	29,786,296	27,615,616	7.29%
Share Insurance Capitalization Deposit	44,143,153	41,469,349	6.06%
Other Assets	44,099,449	36,689,369	16.80%
Total Assets	\$6,269,224,814	\$5,817,103,930	7.21%
TOTAL CREDIT UNIONS	115	119	-3.48%
LIABILITIES, SHARES AND EQUITY			
Liabilities:			
Promissory and Other Notes Payable	158,996,303	165,013,823	-3.78%
Borrowing Repurchase Transactions	0	4,768,750	100.00%
Uninsured Second Capital	0	95,683	100.00%
Dividend and Interest Payable	7,202,609	5,290,553	26.55%
Accounts Payable and Liabilities	46,153,165	42,817,291	7.23%
Total Liabilities	\$212,352,077	\$217,986,100	-2.65%
SAVINGS/DEPOSITS:			
Share Drafts	614,116,206	583,364,821	5.01%
Regular Shares	1,394,695,024	1,426,069,040	-2.25%
All Other Shares and Deposits	3,223,216,587	2,821,020,365	12.48%
Total Savings/Deposits	\$5,232,027,817	\$4,830,454,226	7.68%
EQUITY:			
Undivided Earnings	564,668,254	533,079,283	5.59%
Regular Reserves	228,467,795	215,063,081	5.87%
Appropriations for Non-Conforming Investments	0	0	
Other Reserves	26,962,913	25,827,630	4.21%
Miscellaneous Equity	2,800	2,800	0.00%
Unrealized Gains/Losses Average For Sale Securities	-7,207,892	-16,852,727	-133.81%
Other Comprehensive Income	16,559	25,669	-55.02%
Net Income	11,934,491	11,517,868	3.49%
Equity Total	\$824,844,920	\$768,663,604	6.81%
TOTAL SAVINGS/EQUITY	\$6,056,872,737	\$5,599,117,830	7.56%
TOTAL LIABILITIES/SAVINGS/EQUITY	\$6,269,224,814	\$5,817,103,930	7.21%
NATIONAL CREDIT UNION ADMINISTRATION INSURED SAVINGS:			
Uninsured Shares	631,284,344	518,480,411	17.87%
Uninsured Non-Member Deposits	549,239	426,663	22.32%
Total Uninsured Shares and Deposits	631,833,583	518,907,074	17.87%
Insured Shares and Deposits	4,600,194,234	4,311,547,152	6.27%

TENNESSEE STATE-CHARTERED CREDIT UNIONS**KEY RATIOS (AS OF JUNE 30, 2007)**

Ratio Description	June 2007	June 2006
<u>CAPITAL ADEQUACY</u>		
Net Worth/Total Assets	13.27	13.50
Net Worth/Total Assets--Including Optional Total Assets Election (if used)	13.28	13.51
GAAP Equity/Total Assets	13.16	13.21
Total Delinquent Loans / Net Worth	3.11	2.67
Solvency Evaluation (Estimated)	115.77	115.91
Classified Assets (Estimated) / Net Worth	3.81	3.60
<u>ASSET QUALITY</u>		
Delinquent Loans / Total Loans	0.64	0.55
Net Charge-Offs / Average Loans	0.44	0.36
Fair (Market) HTM Invest Value/Book Value HTM Invest.	98.95	97.88
Accum Unreal G/L On AFS/Cost Of AFS	-1.44	-3.28
Delinquent Loans / Assets	0.41	0.36
<u>EARNINGS</u>		
Return On Average Assets	1.03	1.09
Gross Income/Average Assets	7.37	6.79
Yield on Average Loans	7.07	6.67
Yield on Average Investments	4.65	3.80
Fee & Other Op.Income / Avg. Assets	1.37	1.31
Cost of Funds / Avg. Assets	2.58	2.03
Net Margin / Avg. Assets	4.79	4.76
Operating Exp./ Avg. Assets	3.45	3.39
Provision For Loan & Lease Losses / Average Assets	0.31	0.28
Net Interest Margin/Avg. Assets	3.42	3.45
Operating Exp./Gross Income	46.85	49.91
Fixed Assets & Foreclosed & Repossessed Assets / Total Assets	2.45	2.41
Net Operating Exp. /Avg. Assets	2.40	2.37
<u>ASSET / LIABILITY MANAGEMENT</u>		
Net Long-Term Assets / Total Assets	29.57	26.53
Reg. Shares / Total Shares. & Borrowings	25.87	28.52
Total Loans / Total Shares	77.61	78.58
Total Loans / Total Assets	64.77	65.25
Cash + Short-Term Investments / Assets	19.73	19.59
Total Shares, Dep. & Borrs / Earning Assets	90.35	90.18
Reg Shares + Share Drafts / Total Shares & Borrs	37.26	40.19
Borrowings / Total Shares & Net Worth	2.62	3.02
<u>PRODUCTIVITY</u>		
Members / Potential Members	8.60	9.66
Borrowers / Members	46.78	47.78
Members / Full-Time Employees	345.96	353.11
Avg. Shares Per Member	\$6,598.00	\$6,239.00
Avg. Loan Balance	\$10,947.00	\$10,261.00
Salary And Benefits / Full-Time Empl.	\$48,843.00	\$46,360.00

TENNESSEE STATE-CHARTERED CREDIT UNIONS**KEY RATIOS (AS OF JUNE 30, 2007)****OTHER RATIOS**

Net Worth Growth	7.28	7.97
Market (Share) Growth	9.32	7.06
Loan Growth	6.06	8.85
Asset Growth	8.49	6.30
Investment Growth	14.09	1.40
Membership Growth	3.33	2.99
Asset Growth	8.49	6.30
Investment Growth	0.00	-200.00
Membership Growth	3.33	2.99